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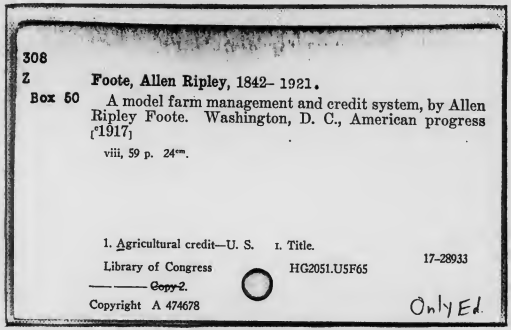

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# A MODEL FARM MANAGEMENT AND CREDIT SYSTEM

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Box-50

# A Model Farm Management and Credit System

by

ALLEN RIPLEY FOOTE

AMERICAN PROGRESS
PUBLISHERS
332 C Street, N. W., Washington, D. C.

Dec. 29, 1917 ART

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ALLEN RIPLEY FOOTE

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## EXPLANATORY.

During the months of November and December, 1916, I supplied about one hundred and thirty proof copies of my Model Farm Credit System to persons in practical touch with farmers through their banking connections, and to students of finance, and economists for the purpose of securing from them helpful criticisms and suggestions to aid me in perfecting my system.

In response I received many commendations of the agricultural, economic and financial soundness of the system as proposed, but no suggestions requiring any essential change in its structure. There was, however, much discussion of the practicability of attempting to finance this system at this time, and of the difficulty that would be met with in securing the co-operation of farmers who would willingly and intelligently carry out its details.

On account of war conditions I have decided not to undertake to promote my system for practical use at this time, but publish my work in book form in order that it may receive a broad circulation and be preserved for practical utilization whenever general conditions may be favorable to such an undertaking. In doing this I have changed the title from —A Model Farm Credit System for the United States—to—*A Model Farm Management and Credit System*.

This change has been suggested because the details of farm management required by my system are as essential to its success as are the details provided for financing it.

In making this publication I have decided to preserve in an Appendix a selection from the many letters I have received approving the agricultural, economic and financial soundness of my system as herein presented.

To the large number of persons who have aided me in this work with their encouragement, criticisms and suggestions, I avail myself of this opportunity to extend my grateful acknowledgment.

ALLEN RIPLEY FOOTE.

Washington, D. C., August 1, 1917.

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# A MODEL FARM MANAGEMENT AND CREDIT SYSTEM

By Allen Ripley Foote.

## INTRODUCTORY.

This explanation is written in two parts.

Part one is a statement of the plan of organization, financial structure and operating details.

Part two is a statement and discussion of the economic and philosophical principles and propositions to which this Model Farm Management and Credit System is designed to give correct expression in practical application.

This system creates facilities for the mobilization of farm management and credits through the instrumentalities of responsible financial corporations incorporated and regulated by each of the several States and by the Government of the United States.

It is designed to aid any farmer who desires to equip and cultivate his farm in the best manner made possible by scientific direction, economic equipment and efficient management designed to develop the productivity of his land and increase his net profits.

It is strictly a private enterprise to be operated for profit without financial aid from any State or from the Federal Government.

# PART ONE.

## PLAN OF ORGANIZATION.

To secure a symmetrical development of its financial structure; the highest degree of efficiency in its operating details; the standardizing of all financial and economic requirements; and a correct compliance with all predetermined standards of safety; this system is to be organized under the supervision of:

1. *A National Committee* to secure the organization and incorporation of a National Agricultural Trust Company, with its principal offices at Washington, D. C., under the laws of, and subject to regulation by, the Government of the United States, to be operated under the management of a Board of Directors elected by its shareholders.

2. *A State Committee* to secure the organization and incorporation of a State Agricultural Trust Company with its principal offices at the State Capital, under the laws of, and subject to regulation by, the State Government, to be operated under the management of a Board of Directors elected by its shareholders.

3. *A County Committee* to secure the organization of a County Branch, with offices at the county seat, to be operated as a County Agency for the State corporation, under the administration of a manager and committee appointed by such corporation.



## DEFINITIONS.

1. The National Agricultural Trust Company will be designated as—*The National Corporation.*

2. The State Agricultural Trust Companies will be designated as—*The State Corporation.*

3. The County Branches of State Corporations will be designated as—*The County Agency.*

4. A farm equipped and being cultivated as required by the details of an annual cultivation and financial program approved by a County Agency, and by an official Inspector and accepted by a State Corporation, will be designated as—*A Model Farm.*

5. A farmer who has entered into a contract with a State Corporation to equip and cultivate his farm as required by the details of this *Model System*, and who has obtained a loan and is to repay the same by applying the entire net profits of each year's operation to this purpose will be designated as—*A Model Farmer.*

6. An officer of a State Government, or of the Government of the United States, designated as custodian of the Farm Mortgages or Farm Bonds deposited by State Corporations or by the National Corporation as collateral security for Farm Bonds issued by them will be designated as—*A Farm Bond Registrar.*

7. A mortgage and supplementary contracts drawn in standard form, executed by a Model Farmer, approved by a County Agency and an Inspector, and accepted by a State Corporation as security for a loan obtained by him and covering:

(*a*) All real and personal property owned by the Farmer, on the date of his application for credit, or thereafter acquired, including breeding, dairy and beef cattle, or other live stock and poultry kept on the farm covered by the mortgage and supplementary contract.

(*b*) All increases in value of such cattle due to a natural increase in numbers from breeding cows, estimated at *seventy-five per cent annually*, of the total number of breeding cows, and to a natural increase in weight on account of age and scientific feeding.

(c) A contract to pay to the State Corporation each year, to be applied on the payment of the debt owing to the Corporation by the Farmer, the entire net income earned by the operation of the farm during the current year, from whatever source derived.

(*d*) An agreement executed by the Farmer stipulating that he will carry out the cultivation program each year, as approved for the cultivation of the farm, and the financial program, as approved for the financial management of the farm, during the year covered by such programs, to the satisfaction of the State Corporation; that he will make a written report to the State Corporation on the first of each and every month, and file a copy of the same with the County Agency, in such form and covering such items of information as may be required from time to time by such Corporation; that he will keep accurate accounts of all farm expenditures and receipts and submit the same for audit to an auditor appointed by such Corporation whenever it may elect; that a failure to carry out any one of these stipulations to the satisfaction of said Corporation shall have the same effect in forfeiting the mortgaged property pledged as security for the payment of his debt as a default in the payment of interest or principal when due, will be designated as—*A Model Farm Mortgage.*

8. An application to establish a credit drawn in standard form, executed by a Model Farmer desiring to be financed, covering the maximum amount of capital that he may require at any time for the complete equipment, scientific cultivation and efficient operation of his Model Farm, stipulating the purposes for which such capital may be expended and the amount to be expended for each purpose, will be designated as—*An Application to Establish Credit.*



9. An annual program drawn in standard form, executed by a Model Farmer, approved by a County Agency and by an Inspector, and accepted by a State Corporation, stipulating the acreage to be cultivated during the year for each kind of crop; the purpose of the crop and the expected yield; showing that the crops to be cultivated are expected to produce all of the farm grown food needed for family use; all the feed required for the maintenance of all work-animals, and sufficient pasturage, grain and silage to full-feed all breeding, dairy and beef cattle to be finished for marketing; the number and kind of work-animals, the breed and number of all dairy and beef cattle, the breed and number of all hogs or other animals to be carried on the farm during the year, and an estimate of the number of each that may be sold during the year, will be designated as—*A Cultivation Program.*

10. An annual program drawn in standard form, executed by a Model Farmer, approved by a County Agency and by an Inspector and accepted by a State Corporation, stipulating the amount of expenses to be incurred by the farmer during the year properly itemized to show cost of seed for planting, grain, cotton seed or peanut meal or other off-farm products for feeding cattle, interest on debt, taxes, insurance, repairs, wages, subscriptions for agricultural, educational and literary publications, annual dues for mem-

berships in marketing, buying and social co-operative associations or societies, family and other expenses of every kind, will be designated as—*A Financial Program.*

11. Any person appointed or selected by a State or the National Corporation; on the recommendation of any County, State or National Association specializing in the development production, utilization or marketing of any farm product; of any State or National Association specializing in formulating and encouraging the use of any systems of domestic science, health culture or thrift, of any State or National educational institution; or appointed by any State Department of Agriculture; or by the United States Department of Agriculture to perform any specified duty or service on behalf of the efficient or scientific development and carrying out of any detail of this Model Farm Management and Credit System, with a prefix indicating the character of service to be rendered, will be designated as —*An Inspector.*

12. A Bond, issued by a State Corporation, secured by a deposit of collateral with a State Bond Registrar, will be designated as—*A State Farm Bond.*

13. A Bond, issued by the National Corporation, secured by a deposit of collateral with the National Bond Registrar, will be designated as—*A National Farm Bond.*

14. Model Farm Mortgages, executed by Model Farmers to State Corporations, endorsed and deposited by them with a State Bond Registrar as security for the State Farm Bonds issued by such Corporation, will be designated as—*State Farm Bond Collateral.*



15. State Farm Bonds, executed by State Corporations to the National Corporation, endorsed and deposited by it with the National Bond Registrar as security for National Farm Bonds issued by it, will be designated as—*National Farm Bond Collateral.*

## Financial Structure.

### BASIS FOR CREDIT.

Model Farm Mortgages will be the basis for credit for all Model Farm Loans.

### LIMITATION ON AMOUNT OF LOANS TO ONE MODEL FARMER.

The amount of capital that may be loaned to one Model Farmer at any one time will be governed by the approved specifications contained in his application for credit and his annual cultivation and financial programs.

### TERMS OF REPAYMENT.

The terms of repayment for each Model Farm Mortgage, to be specified in such mortgage are, that the total net profit earned by the operation of the farm each year whenever and from whatever source received, shall be applied to the payment of the debt.

### COLLATERAL FOR STATE FARM BONDS.

All Model Farm Mortgages are to be bought by State Corporations, endorsed and deposited by them with the State Bond Registrar as collateral security for all State Farm Bonds issued by them.

### COLLATERAL FOR NATIONAL FARM BONDS.

All State Farm Bonds issued by State Corporations are to be bought by the National Corporation, endorsed by it and deposited with the National Bond Registrar as collateral security for all National Farm Bonds issued by it.

### STATE CORPORATIONS: SHARE CAPITAL.

The initial share capital of each State Corporation is to be $100,000, divided into 1,000 shares of $100 each. Every such corporation is to have power to increase its share capital, from time to time, by regular issues of $100,000 each to be made whenever its margin for Bond issues is exhausted. All capital secured by sales of shares of capital stock by each State Corporation shall be invested in Model Farm Mortgages.

### STATE CORPORATIONS: BOND CAPITAL.

Each State Corporation is to have power to issue State Farm Bonds, in series of $100,000 each, secured by deposits with the State Bond Registrar of State Farm Bond Collateral in equal amount.

These bonds may be issued in large denominations for long-term investments, with a redemption privilege after a specified date, without reference to the maturity of the collateral deposited for their security, the terms of the deposit being that new collateral, equal in amount shall be deposited to cover all payments on or withdrawals of deposited collateral.

The total Bond issue of each State Corporation shall be limited to an amount equal to thirty times the amount of its issued share capital.



### THE NATIONAL CORPORATION: SHARE CAPITAL.

The initial share capital of the National Corporation is to be $1,000,000, divided into 1,000 shares of $1,000 each. It is to have power to increase its share capital, from time to time, by regular issues of $1,000,000 to be made whenever its margin for Bond issues is exhausted. All capital secured by sales of shares of its Capital Stock by the National Corporation shall be invested in State Farm Bonds.

### THE NATIONAL CORPORATION: BOND CAPITAL.

The National Corporation is to have power to issue National Farm Bonds in series of $1,000,000 each, secured by deposits with the National Bond Registrar of National Farm Bond Collateral in equal amount.

These bonds will be issued in convenient denominations for long-term investments, with a redemption privilege after a specified date, without reference to the maturity of the collateral deposited for their security, the terms of the deposit being that new collateral, equal in amount, shall be deposited to cover all payments on or withdrawals of deposited collateral.

The total Bond issue of the National Corporation shall be limited to an amount equal to thirty times the amount of its issued share capital.

## INTEREST RATES.

### MODEL FARM MORTGAGES.

The interest rate on all Model Farm Mortgages shall be six per cent per annum, or a rate not to exceed one per cent in excess of the rate paid by State Corporations on the bonds issued by them.

STATE FARM BONDS.

The interest rate on all State Farm Bonds shall be five per cent per annum, or a rate not to exceed one-half of one per cent in excess of the rate paid by the National Corporation on the National Farm Bonds issued by it.

NATIONAL FARM BONDS.

The interest rate on all National Farm Bonds shall be four and one-half per cent per annum, or such lower rate as may be specified, bearing which, such bonds can be sold to investors at par.

AN INTEREST RATE UNIFORM THROUGHOUT THE UNITED STATES.

By offering but one Farm Bond—a National Farm Bond—to the investing public, secured by the capital of a National Corporation; the capital of forty-eight State Corporations, and a Model Farm Mortgage on every Model Farm being financed, all Farm Credits issued by this system will be standardized to comply with predetermined standards of safety. This will render investments in National Farm Bonds as safe as the best secured investments offered to investors in the national financial markets and will make it possible to sell these Bonds at par bearing the lowest rate of interest carried by any long-term investment security.

By fixing the rate of interest for State Bonds at a rate of five per cent, or a rate one-half of one per cent in excess of the rate paid on National Bonds, and the rate on Model Farm Mortgages at six per cent, or a rate one per cent in excess of the rate paid on State Bonds, a rate of interest will be established uniform throughout the United States, which will be as low as any rate commanded by any long-term investment capable of equal circulation.



## Margins for Expenses and Profits.

A FARMER'S MARGIN FOR LOAN EXPENSES.

All expenses incurred by a farmer on account of his loan, excepting the determination of title, will be paid by the State Corporation out of a discount of five per cent on the face value of his mortgage. This discount will cover:

(*a*) All expenses for appraisal, legal fees and recording charges.

(*b*) Fees of the County Agency for receiving documents, making cash payments on loans, collecting interest and principal payments.

(*c*) Services in supervising and preparing annual cultivation and financial programs, aiding in planning cultivation work, and in securing best results in harvesting and marketing during the life of his mortgage.

STATE CORPORATION.

When State Corporations have invested $100,000 share capital and $2,000,000 bond capital in Model Farm Mortgages at six per cent, their statements of earnings and expenses will be as follows:

*Earnings.*

| | |
|---|---|
| $100,000 Share Capital, 6% interest | $ 6,000 |
| $2,000,000 Bond Capital, 6% interest | 120,000 |
| $2,100,000 Investment, 5% discount | 105,000 |
| Total Earnings | $231,000 |

*Expenses and Interest.*

| | |
|---|---|
| County Agencies and State Corporation | $105,000 |
| Interest $2,000,000 Bonds, 5% | 100,000 |
| Total Expenses and Interest | $205,000 |
| Net Earnings | $26,000 |
| Dividend, 10% on $100,000 Share Capital | 10,000 |
| Balance for Reserve | $16,000 |

THE NATIONAL CORPORATION.

When the National Corporation has invested $1,000,000 Share Capital and $20,000,000 Bond Capital in State Farm Bonds at five per cent interest, its statement of earnings and expenses will be as follows:

*Earnings.*

| | |
|---|---|
| $1,000,000 Share Capital, 5% | $ 50,000 |
| $20,000,000 Bond Capital, 5% | 1,000,000 |
| Total Earnings | $1,050,000 |

*Expenses and Interest Payments.*

| | | |
|---|---|---|
| Expenses, estimated | $ 50,000 | |
| Interest, 4½% on $20,000,000 | 900,000 | |
| Total Expenses and Interest | | 950,000 |
| Net Earnings | | $100,000 |
| Dividend, 8% on $1,000,000 Share Capital | | 80,000 |
| Balance for Reserve | | $20,000 |



DIVIDENDS AND RESERVES.

STATE CORPORATIONS.

When State Corporations have completed the first cycle of their development it is estimated that they will be able to pay all expenses, make an annual dividend of ten per cent and invest $16,000 for their reserve fund.

To make realized results sustain estimated results it will be provided that the dividends of State Corporations shall be limited to one-half of their net earnings but not to exceed ten per cent per annum. All excess of net earnings, after the payment of the annual dividend, is to be invested for a reserve fund.

THE NATIONAL CORPORATION.

When the National Corporation has completed its first cycle in its development it is estimated that it will be able to pay all expenses, make an annual dividend of eight per cent and invest $20,000 for its reserve fund.

To make realized results sustain estimated results it will be provided that the dividends of the National Corporation shall be limited to one-half of its net earnings but not to exceed eight per cent per annum. All excess of net earinngs after the payment of the annual dividend, is to be invested for a reserve fund.

INVESTMENTS FOR RESERVE FUNDS.

State Corporations are to invest their reserve funds in shares of capital stock or National Farm Bonds issued by the National Corporation.

The National Corporation is to invest its reserve funds in shares of capital stock or State Farm Bonds issued by State Corporations.

### Operating Details.

All operating details; economic and financial requirements; standards of safety; forms for applications for credit, cultivation and financial programs; mortgages, contracts and agreements; reports and legal documents by whomever formulated are to be approved by the National Corporation and adopted for use by each State Corporation. In case a variation is made necessary in any standardized form or requirement by particular provisions in the laws of any State, changes will be made in such form or requirement to comply with the law. Many conditions of this character will undoubtedly be encountered.

Systematic and sustained efforts will be made in each State with the co-operation of the State Corporation, the State executive officers and members of its legislative body to secure the amendment of existing laws, or the enactment of new laws, to enable the State Corporation to use and comply with all essential provisions in the forms and requirements approved by the National Corporation. The object sought will be to develop uniformity of purpose and accomplishment through efficient methods suggested by science, tested by experience and given practical effect by the virility of individual expression.



### Individual Initiative.

A farmer desiring to have his farm, or a farm he may desire to acquire, equipped, stocked, cultivated and financed as *A Model Farm* by the aid of a State Corporation, and thereby to develop himself into *A Model Farmer*, will take the intiative, with the aid and approval of the County Agency, an Official Inspector, and such other advisors representing associations or educational institutions specializing in the particular branches of agriculture to be undertaken as may be available, by preparing, executing and filing with the County Agency:

(*a*) *An Application for Credit* covering the maximum amount of capital estimated to be required at any time during the life of his Mortgage, Agreements and Contracts.

(*b*) *A Cultivation Program* covering the agreed operation of the farm for the first fiscal year. On the first of each succeeding fiscal year, this cultivation program will be revised and approved to cover the operation of the farm during the current year.

(*c*) *A Financial Program* covering all financial requirements for the first fiscal year. On the first of each succeeding fiscal year this financial program will be revised and approved to cover the financial requirements of the current year.

(*d*) *Changes in Programs* may be made during the year, on official or expert advice, to meet and effectively deal with unforeseen climatic or other conditions as they may appear, with the purpose at all times to render the farmer the most helpful and practical services that can be suggested by science and made practical by experience.

(*a*) *Payments of Capital Loaned.* A farmer as he has need for the use of capital, will deliver to the County Agency, on payment for the same, his properly drawn and executed individual coupon bond or promissory note, having a maximum life of ten years, and bearing interest at the rate of six per cent per annum, or such other rate as may be the established rate on the date of the payment, secured by his Mortgage, Agreements and Contracts, filed with his *Application for Credit.*

(*b*) *Repayment of Capital Borrowed: Interest and Principal Payments.* At any time during a fiscal year, whenever a farmer has received cash in payment for any products of his farm, or from any other source, he shall deposit the same in the bank with which he transacts business to his credit as a Model Farm Manager, to be withdrawn by check in payment of approved expenses and for the payment of the principal and interest of his debt; all checks to be countersigned by a representative of the County Agency. All bank depositaries are to be approved by the County Agency.

Interest on principal is to be computed each year on the amount of the unpaid balance as shown after each principal payment.

The entire net income derived each year from the operation of the farm, whenever secured, is to be applied in conformity with the foregoing requirements until all principal obligations are paid in full, and the farmer has achieved his economic independence.





The object of this Model System is to make the operation of every Model Farm financed by it an economic success.

To achieve this purpose with greatest certainty, every Model Farmer is to be aided, whenever occasion may require or at regular intervals, with the best scientific and practical advice and inspections obtainable.

With this object in view, each State Corporation will secure the services of instructors and inspectors specializing in each branch of agriculture included in the operation of a farm, to work in co-operation with its County Agencies and operating Model Farmers. It will request the recommendation or appointment of such instructors and inspectors by:

(*a*) Farmers', County, State and National granges, unions and institutes.

(*b*) Promoters and managers of farmers', housewives', boys' and girls' clubs for any specialized purpose.

(*c*) Associations for the control and eradication of plant and animal diseases.

(*d*) For the propagation of new plants, fruits, grains, fibers and feeds.

(*e*) For selecting, testing, handling and planting of seeds.

(*f*) For breeding, testing, feeding and marketing poultry, hogs, dairy and beef cattle.

(*g*) For the management of creameries, canneries, warehouses, elevators, fruit and produce exchanges, and specializing in the marketing of any farm product.

(*h*) For co-operative buying and use of farm machinery and implements.

(*i*) For writing livestock, fire, hail and tornado insurance.

(*j*) For securing telephone, mail and express services.

(*k*) And also by associations interested in the general industrial, commercial and financial welfare of the community, State and Nation, desiring to aid in the development of agriculture considered as an economic and a business proposition, such as Chambers of Commerce, Business Men's Associations and State Bankers' Associations.

As a foundation for this voluntary scientific work, each State Corporation will ask for the appointment of official Instructors and Inspectors by State and National Educational Institutions and Departments of Agriculture with the purpose of securing efficient expression for scientific theory and experiments through practical work undertaken to secure economic gains.

With the aid of the facilities furnished by the financial backing this Model System is created to supply, plus the aid of practical experience, theoretical experiments and scientific investigations brought into active co-operation through its management, specializing can be encouraged and made successful. By this means, the Model Farmers of the United States will ultimately lead the world for efficiency, thrift and realized results.

## Legislative Powers.

### THE NATIONAL CORPORATION.

The legislative powers of the National Corporation shall be exercised by a Board of Directors composed of not less than seven members elected at large by its



shareholders and one additional member for each State elected to represent the State Corporation by its Board of Directors.

### STATE CORPORATIONS.

The legislative powers of each State Corporation shall be exercised by a Board of Directors composed of not less than seven members elected at large by its shareholders and one additional member for each County in its State elected to represent the county by the shareholders of the corporation *residing in the county.*

## Administrative Powers.

### THE NATIONAL CORPORATION.

The affairs of The National Corporation will be administered by an Executive Committee of not less than seven members appointed by The National Committee on Organization, to serve until an Executive Committee is elected by a Board of Directors the members of which have been elected by the shareholders of the Corporation. The Officers of the Corporation will be elected by its Executive Committee.

### STATE CORPORATIONS.

The affairs of State Corporations will be administered by an Executive Committee of not less than seven members appointed by a State Committee on Organization, to serve until an Executive Committee is elected by a Board of Directors, the members of which have been elected by the shareholders of the Corporation. The officers of the Corporation will be elected by its Executive Committee.

COUNTY AGENCIES.

The affairs of each County Agency will be administered by a Manager appointed by the State Corporation on the recommendation of the County Committee.

## Preferences: Shares of Capital Stock.

STATE CORPORATIONS.

1. *The initial series* of shares of capital stock issued by State Corporations shall be offered at par:

(*a*) To the members of County Committees. The number of shares allotted to each county shall be the same percent of the whole number in a series as the per cent of the population of the county is of the total population of the State.

(*b*) All shares allotted to a county not subscribed for by members of the County Committee within a time specified shall be offered to individuals, corporations and associations residing in or having business investments in the county.

(*c*) All shares not subscribed for within the second period of time specified, shall be offered to members of the State Committee and may be sold by them to the general public.

2. *The second*, and all subsequent series of shares of capital stock issued by State Corporations, shall be offered at par:

(*a*) To the owners of shares of the first series, share for share.

(*b*) To members of County Committees and to individuals, corporations and associations residing in



or having business investments in counties in which the full number of shares first allotted to the county are not owned.

THE NATIONAL CORPORATION.

1. *The initial series* of shares of capital stock issued by The National Corporation shall be offered at par:

(*a*) To members of County and State Committees and of The National Committee.

(*b*) All shares not subscribed for by members of these Committees within a time specified shall be offered to the general public.

2. *The second*, and all subsequent series of shares of capital stock issued by The National Corporation, shall be offered at par:

(*a*) To the owners of shares of the first series, share for share.

(*b*) To State Corporations for the investment of their Reserve Funds.

## Preferences.

STATE FARM BONDS.

All Farm Bonds issued by State Corporations shall be sold to The National Corporation at par.

NATIONAL FARM BONDS.

1. *The initial series* of National Farm Bonds issued by the National Corporation shall be offered at par:

(*a*) To State Corporations for investments of their Reserve Funds.

(*b*) To individuals, corporations and associations.

2. *The second,* and all subsequent series of National Farm Bonds issued by The National Corporation shall be offered at par:

(*a*) To State Corporations for the investment of their Reserve Funds.

(*b*) To owners of Bonds issued in the initial series, bond for bond.

(*c*) To individuals, corporations and associations.

### A SPECIAL PREFERENCE: MODEL FARMERS.

A Special Preference, taking precedent over all other preferences for the sale of shares of the capital stock issued by State Corporations and by The National Corporation, and for the sale of National Farm Bonds issued by The National Corporation, shall be given to Model Farmers who have paid their debts and desire to invest the whole or any part of their net profits, earned in subsequent years in these securities.



## PART TWO.

### INTRODUCTORY.

*This Model Farm Management and Credit System* creates a means for the moblization of *Farm Management and Credits* through responsible instrumentalities devised for this purpose. It operates through specially organized State and National Corporations organized for the purpose of providing efficient management for and financing of Model Farms by loaning capital to Model Farmers on the security of Model Farm Mortgages executed by themselves.

It secures its capital by the sale of shares of capital stock issued by State Agricultural Trust Companies, incorporated under the laws of the State in which they operate, and of a National Agricultural Trust Company, incorporated under the laws of the United States; and by the sale of Model Farm Bonds issued by the National Corporation secured by its own capital stock, the capital stock of State Corporations, and by Model Farm Mortgages held as Collateral Security.

It gives opportunity to those who desire to promote Agricultural development by permanently improving the facilities by means of which farmers may be financed in the manner best suited to their needs.

It gives opportunity to place a *Model Farm Management and Credit System* in direct competition with *The Federal Farm Credit System* created by the Federal Farm Loan Law, approved July 17, 1916. It will thereby demonstrate the economic fact that—*private enterprise and management is more progressive and efficient than political enterprise and management.*

Such a demonstration *made now*, in the business of supplying capital for financing the economic equipment, efficient and scientific cultivation of American farms, will provide an effective defense against the subtle absorption of private business by the adoption of paternalistic and socialistic propositions which, whether the avowed purpose or not, will inevitably result in a continuous extension and centralization of *Political Power*.

### EURPOEAN FARM CREDIT SYSTEMS.

The farm credit systems of Europe command the approval of world-famed economists and financiers. That these systems, as organized and operated, have been and are now unfailingly and universally helpful in developing the productivity of soils and of improving the economic condition of farmers, is an unquestioned fact. That the securities created by these systems are equal in safety and certainty of income to the best securities offered to long-term investors in any financial market, is undisputed history.

Differences between European and American conditions render it impossible to use these successful European systems as models for creating an American system. This fact renders the devising of an American Model Farm Management and Credit System a fundamental necessity.

### REQUIREMENTS OF A MODEL FARM MANAGEMENT AND CREDIT SYSTEM.

Under our system of State and Federal governments, a model system for developing farm management and credits must be capable of adjustment to the varying requirements of the constitutional and statutory laws of the several States, and of the Federal Government.



It must be in harmony with and vitalized by the ideals of our American system of government.

It must be devised to promote individual welfare through individual initiative and private enterprise.

It must not be made a political protege, sustained by financial aid drawn from any State or from the Federal Government.

It must be self-developed and self-sustained.

It must develop self-respect by making self-help possible.

*The Model Farm Management and Credit System* herein described makes a perfect response to all of these requirements. Through its complete development all of these conditions can be complied with in a thoroughly efficient and scientific manner without requiring any farmer to submerge his identity in an Association, or to become in any way responsible for the debts of others, created for their individual benefit, and without using *Taxpayers' Capital* taken from a Public Treasury by force of an unjust law.

### CRITICISMS AND SUGGESTIONS INVITED.

The details of this *Model Farm Management and Credit System* are herewith submitted to the helpful criticism of the people of the United States, than whom none are more capable to judge it on its merits.

Criticisms and suggestions are especially invited from farmers, financiers, economists and scientists specializing in agricultural development and economic organization. Any suggestion, from whatever source it may be received, that will tend to make this stysem more serviceable to farmers or safer for investors will be duly acknowledged and eagerly adopted. Those who make such suggestions will render a service of high

value for the efficient equipment and scientific cultivation of American farms.

When those who study the details of this Model Farm System work for its perfection and development as earnestly as work in devising it has been done, the day is not far distant when it will be adopted for practical demonstration. Its details can then be observed in actual operation. It will then receive an endorsement from world-famed economists and financiers that will place it on a par with the best devised and most successful systems that have been developed in any European country.

### OPPORTUNITY CALLING FOR INTELLIGENT UTILIZATION.

Farm land is the home of opportunity. The potential wealth contained in any farm remains dormant until called forth by intelligent cultivation. Every element essential for the production of wealth exists in the soils of American farms in prodigal abundance.

The need of the hour is not for more capital or credit. It is for an intelligent mobilization and direction in the use of the labor and capital and of the elements of credit now in existence, and owned in part by every capable farmer.

The need of the hour is not for more or cheaper land, a better climate or supply of labor. It is for an intelligent mobilization and direction in the use of these basic elements of prosperity and economic independence.

It is possible to cultivate land so that the producing capacity of its soil will be as great, if not greater, instead of less, at the end of each year of cultivation. Under such a system of cultivation the soil of any farm is an inexhaustible source of wealth.



It is possible to equip a farm, and to direct the labor performed upon it, so that every element of economic production will be as fully and intelligently utilized as in the best equipped and most efficiently managed industry.

It is possible so to crop a farm that it will produce all the home-grown food and feed that can be utilized upon it, thus freeing the farmer from paying tribute to other producers and to all intervening handlers of off-farm products, and also to produce a surplus of products demanded for the food, feed and clothing of the people of this and other countries.

### EVERY FARM A GOLD MINE.

Every farmer has an inexhaustible gold mine in the soil underneath his feet. When his soil is cultivated with as efficient an equipment and operated with as intelligent direction as is used in extracting gold from mines, every farmer will have the power to extract gold from the mines of the world. Gold miners and gold handlers cannot eat gold. They must exchange their gold for the supplies of food, feed and material for clothing which the farmer produces. In the exchanges of commerce the value of all agricultural products can be exchanged for gold. Those who produce these things from the soil produce the basic elements of the wealth of the world.

### INTELLIGENCE THE RESOURCE OF GREATEST ECONOMIC VALUE.

Without intelligence man inhabits the most resourceful portions of the earth unclothed, unhoused, unlettered—a superior animal. This is not only true of the past, it is also true of the present and of the future.

Intelligence, or the lack of intelligence, has made the conditions of life what they have been in the past, it is making the conditions of life what they are today, it will make the conditions of life what they will be through all future years.

Climate and soil, wood and stone, coal and minerals, rainfalls and water-ways, sunshine and air currents—all existed for the use of the Red Man as they exist today for the use of the White Man. What is the cause of the broad difference between the use made of these resources of nature by the Red Man and by the White Man? It is the difference between their knowledge of and compliance with the requirements of natural laws. What causes the vast difference between the habits, environments and achievements of the people of one age and of another? Of the people inhabiting different sections of the earth in the same age? It is the difference in the intelligence with which they recognize and act in accordance with the requirements of natural physical and economic laws.

The utilization of steam power, the labor-performing machinery, the electrical transmission of intelligence, light and power that is such a marked feature of our present day civilization, has been produced without the creation of a single new natural product, force or law. Everything now known or used existed for the Red Man as they now exist for the White Man.

With the leisure of the eternal, the infinite mind patiently awaits the intelligent questioning of the finite mind that it may enable man to control and direct natural products and forces and thus cause them to become his servants.

When man learned how to ask intelligently for more strength, nature gave him power to control



forces which multiplied strength beyond the limits of his most wishful conceptions; when he learned to ask intelligently for transportation facilities, nature gave him power to create engines for transportation by land, sea and air, so outstripping the fleetest and strongest animals that they are no longer relied upon for moving the commerce of the world; when he learned how to ask intelligently for the means of transmitting intelligence, nature gave him power to control electrical energy and cause it to carry his messages around the world quicker than the winds can fly; when he learned how to ask intelligently for the means of creating more light, nature gave him power to produce, control and use at his pleasure, the light of the lightning.

The intelligent questioning of the infinite by the finite resulting in these marvelous accomplishments has invariably found practical expression through services rendered by organized intelligence, labor and capital, the true creative trinity by means of which every facility and comfort now rendering human life superior to animal life is perfected and made available for the use and enjoyment of humanity.

The wealth being extracted from the soil by farming operations as now conducted is but the first unit of the wealth that will be produced when every farm is thoroughly equipped and is cultivated under the direct supervision of the highest degree of expert experience and scientific investigation obtainable, made available by means of a scientific organization of intelligence, labor and capital operating as a creative trinity.

### LOSSES CAUSED BY IGNORANCE.

Ignorance compels the poorest members of society to make losses for themselves. This is the reason why they remain poor.

The difference between the value of the products of a well cultivated farm and of a poorly cultivated farm is a loss caused by ignorance. The difference between the value of an article well designed and well made for its purpose, and one not so made, is a loss caused by ignorance. The difference between the value of the work done by the most intelligent and skillful workman using tools of greatest power and efficiency, and the work of the least intelligent and least skillful workman using tools of least power and efficiency, or it may be no tools at all, is a loss caused by ignorance.

Consider the economic conditions surrounding a man digging a ditch with a stick and another digging a ditch with a steam shovel. This difference in conditions is caused by the intelligent use of labor and capital.

Consider men digging a ditch large enough and long enough to contain water on which rude boats drawn by mules can float to transport persons and property across a state, and other men building a railroad by means of which persons and property can be quickly transported across a continent; this difference in conditions is caused by the intelligent use of labor and capital.

The vast aggregate of capital that is such a marked feature of the present age is the product of natural resources intelligently utilized. Vast as this wealth is, it is but the first unit of the incalculable *loss* that has been and is daily being caused by the inefficient and unintelligent use of labor and capital.

Vast as this wealth is, it is but the first unit of the incalculable *gain* that it is yet possible to realize by the intelligent utilization of labor and capital.



## HOPE OF SECURING A PROFIT VITALIZES PRODUCTIVE ENERGY.

That labor which is equipped with the most efficient machinery and tools and is directed with the highest degree of efficient intelligence in the utilization of natural forces and products will produce the greatest aggregate of wealth.

Every attempt to raise a crop or to improve the quantity or quality of a product is a venture. Every attempt to manufacture a natural product into articles for use, comfort or enjoyment, is a venture. Every attempt to utilize natural forces for the purpose of exchanging the products of one country for those of another is a venture.

Every venture is vitalized by the hope that it will result in the creation of a profit. Every venture involves the risk of making a loss. If the risk of loss is great, the prospective profit must be correspondingly great to justify the venture.

Ventures are frequently made which terminate disastrously for those interested; yet, by utilizing the knowledge thus gained, others may make a new venture to accomplish the same object, and secure a great success. This is especially true in the domain of agriculture.

The provisions of nature are ample. Natural resources exist in prodigal abundance. When natural resources are intelligently utilized and their products are properly distributed, no man need suffer want. Although man has asked for much, and much has been given, limitless possibilities yet remain. As the intelligence of the finite is to that of the infinite, so is that which man has produced to that which he will be able

to produce when all labor employed for productive purposes is scientifically equipped, intelligently directed and efficiently sustained by ample capital.

PURPOSE OF THIS MODEL FARM MANAGEMENT AND CREDIT SYSTEM.

Every farmer operating under this system will be known as a Model Farmer. Every farm financed and operated under this system will be known as a Model Farm. The objective point is to create a class of thoroughly equipped farms, owned and operated by farm owners taught in the school of practical experience by means of work done under the supervision of the most capable instructors and inspectors the State and the Federal governments can furnish.

Under this system each year's cultivation will improve the producing capacity of the soil, strengthen the security of the creditor and increase the profits of the borrower, the full amount of which, whenever realized, will be applied to the payment of the debt incurred until it is paid in full and the farmer thus becomes the owner of a fully equipped, scientifically cultivated, highly profitable, unmortgaged farm.

No man working in isolation can achieve success, can command for himself and family the comforts and advantages that are the common heritage of our present day civilization. Every man, whether he realizes it or not, is a part of a system. The prosperity he desires must be the product of a system in which the capabilities of each individual who becomes a part of it will be intelligently merged and efficiently directed.

This system is intended to add an increment of value to the producing capacity of the soil by each year's cultivation and to add an annual increment of wealth to the capital of every person who works upon it.



A system that will accomplish this—a system that will bring to the least efficient and poorest equipped person an opportunity to improve his economic condition by the use of his own efforts—will of necessity bring such an opportunity to every person in the community.

Making the soil richer is an unfailing preparation for raising better crops.

Making the poorest person in a community richer is an unfailing method for making every member of that community richer.

FOUNDATION OF THIS MODEL FARM MANAGEMENT AND CREDIT SYSTEM.

This system is founded upon the character, intelligence, ability to labor and such capital as a farmer may own, combined with an efficient equipment supplied by the capital of the creditor and with scientific instruction and expert supervision supplied by the State and Federal governments.

If the intelligently directed labor of a farmer, aided by an efficient equipment and guided by the best scientific instruction and expert supervision a State or the Federal government can furnish cannot make the cultivation of a farm profitable, that particular farm must be abandoned. There is no way in which its cultivation can be made profitable.

Under this system the operating contract made with a farmer will be for a term of years sufficiently long to cover all possible variations in the seasons and to secure the benefits of an average result. Success or failure cannot be determined by the results of a single year. The average production of well cultivated farms for the past ten years' period may be safely used as a basis for estimating the average production for the

next ten years of any farm to be financed. Upon the basis of producing-capacity, a credit can safely be an amount that can be repaid, together with the agreed interest, out of the profits of cultivation during the life of the contract.

*"Agriculture, when considered from year to year and over extended areas, is in its returns the surest of all operations."*—Hon. Myron T. Herrick, in *Rural Credits*, page 8.

When future producing capacity, instead of present value, is made the basis of credit, the operating contract gives the creditor an effective and a continuing control over the efficient cultivation and economic management of the farm. In this there can be no conflict between the interests of the borrower and of the creditor. Any cultivation program that will maintain and increase the producing capacity of the soil will continually increase the profits of the borrower and strengthen the security of the creditor.

### AN OPEN DOOR TO FARM OWNERSHIP.

This Model Farm Management and Credit System opens the door of opportunity for farm ownership to every industrious farmer of good character who seeks to acquire the ownership of an efficiently equipped, scientifically cultivated, unmortgaged farm in the shortest possible time. For the accomplishment of this purpose it brings to his assistance the use of ample capital and the aid of scientific and practical expert advice and direction.

Intelligence, Labor and Capital united are the trinity by which all wealth is created. When they unite to utilize the exhaustless resources of nature for the production of wealth, the success of their venture is



guaranteed by that natural law which decrees that *every living thing shall be fruitful and multiply according to its kind.*

Based on the security of productive soil, intelligently cultivated by efficiently equipped labor, the Farm Credits created by this system are certain to command all the capital required on as favorable terms as are realized by the safest and most profitable industries operated in this or any other country.

This Model Farm Management and Credit System is a practical answer to the warning given to leaders in the economic development of the United States by the Honorable Clarence Ousley, in an address before the Texas Bankers' Association, when he declared:

*"Farm homestead ownership must be made possible for every farmer who lives on and works a farm.*

*"Farm homestead ownership is the sole preservation of the free institutions of this Republic."*

This Model Farm Management and Credit System completely provides the means of doing what President Woodrow Wilson stated, in his Inaugural Address, ought to be done for American Agriculture when he declared that we have:

*"A body of Agricultural activities never yet given the efficiency of great business undertakings, or served as it should be through the instrumentality of science taken directly to the farm, or afforded the facilities of credit best suited to its practical needs."—Yale Review,* April, 1916, page 451.

DEVELOPMENT OF FARM CREDIT.

Each model farm is to be financed and operated as an individual unit. Its owner will assume no financial responsibility for a credit granted to any other farmer.

The crops to be cultivated will be determined by the character of its soil and other local conditions affecting profitable operation.

The adopted purpose may be the cultivation of grain or cotton crops; fruits, garden truck, general farming, or the breeding and raising of poultry, hogs, sheep, dairy or beef cattle.

In this system the creditor holds every element of security ever written into a farm mortgage, plus many elements of real value never before mobilized and pledged to give value to a borrower's credit.

The purpose is to create a model system for financing farms combined with a model system for equipping and operating them.

The objective point is to make investments in model farm securities safe through making the operation of the farms profitable.

EXPERT INSPECTION.

The application to establish credit, and the annual cultivation and financial program, must be approved by an inspector, and the farm, its cultivation, its equipment, livestock, dairy and commercial herd, must be inspected from time to time during the year by an expert inspector specializing in each of the several branches of agriculture included in the operation of the farm.



The purpose of the system is to utilize, through practical work, all the scientific and expert aid that can be given by any voluntary association, educational institution or any department of the State or Federal Government, to make the operation of the farm profitable.

THE FORM OF STATE AND FEDERAL AID DESIRED.

This Model Farm Management and Credit System is to be promoted as a private enterprise on the initiative of farmers who desire to operate their farms under the system of expert supervision as herein provided.

Its capital is to be derived exclusively from sales of shares of capital stock and State farm bonds, issued by State Agricultural Trust Companies, and from sales of shares of capital stock and National farm bonds issued by a National Agricultural Trust Company.

The State and Federal aid desired is limited to the creation and legalizing of the governmental facilities necessary for its perfect development.

It is desirable that the State and Federal Governments shall amend existing laws, or enact new laws, as may be found necessary, to provide for the incorporation and regulation of State Agricultural Trust Companies, and of a National Agricultural Trust Company, well designed to give practical effect to this Model Farm Management and Credit System as devised.

It is desired that State and Federal Governments shall make it the duty of Educational Institutions and Department Officials to make the expert inspections and give the scientific advice and directions required by this system to develop its highest attainable degree of efficiency. By this means the labor of the farmer,

the capital of the investor and the scientific knowledge of educators and investigators will be mobilized and combined in a comprehensive system designed to aid farmers in every needed way to acquire, in the shortest possible time, the unmortgaged ownership of their farms through helping them in every practical way to make their cultivation work profitable.

An expert examination of the soil resulting in the selection of the most profitable crops to which the soil is best adapted; aid in selecting good seed; scientific and expert directions for planting, cultivating, harvesting and marketing each kind of crop; assistance in fighting pests and crop destroyers of all kinds—all furnished by the appropriate departments of a State and of the Federal government, is the form of aid which, when utilized to the capacity of a State or of the Federal government to furnish such assistance, will be a far greater producer of wealth than will result from any financial aid it will ever be possible for any State or for the Federal government to render. Such aid will intelligently use every available resource of nature to increase the profits of the borrower and strengthen the security of the creditor. It will unfailingly make the cultivation of the farm profitable.

Under these conditions American Agriculture can be made to lead the world for efficient production and profitable operation. This will make American farming communities the most prosperous communities in the world. It will give stability to American commercial and financial enterprises. It will give to the United States the economic mastery of the world.



## A HOME UNIVERSITY TAUGHT BY PRACTICAL EXPERIENCE.

*This Model System* realizes that the loaning of capital to a farmer, while fundamentally necessary, may be the least important of the services he needs. More valuable to him may be the services given through aiding him in the selection, rotation and cultivation of his crops in a way that will produce the largest yields and will add to, rather than exhaust, the productivity of his land; instructions in the art of thrifty management that will enable him to utilize to fullest measure the possible value of every usable or salable product of his farm; every working hour of his own and his employee's time; and enable him to acquire well settled habits of business management that will enable him to secure full value for every dollar he spends for his family and farming expenses.

*This Model System* never "abandons a farmer to his fate." It always stands by his side sustaining and encouraging him by securing for him through its own and all classes of farmers organizations, and through the assistance it can secure from State and Federal agricultural educational institutions and departments of agriculture.

The payment of the debt a farmer may incur in borrowing capital to aid him in financing his farming operations is but an incident in the program of efficient service *This Model System* is designed to render him. Its true objective is to aid him, in every practical way, to develop his farm to its highest degree of possible productivity through economic equipment, scientific selection and cultivation of crops, and the practical utilization of all usable and salable products; through

a thorough business education in the art of efficient farm management, to the end that the farmer shall become the owner of a highly productive, scientifically cultivated, unmortgaged farm within the shortest time made possible by soil productivity, prevailing climatic and marketing conditions.

Services such as these, rendered a farmer year by year until his debt is paid, will not only aid him in the payment of his debt; they will be money makers for him as long as he lives and cultivates his farm.

*His canceled mortgage* will be to him, in its manifest significance, and in fact, *a graduation diploma, won in a Home University taught by Practical Experience*, attesting his character, his ability, his industry, his efficiency as a manager, his thrift as a conservator of his resources, and his financial responsibility.

A diploma such as this, so won, will cause his rating for influence and moral worth in the social and public affairs of his locality, his State and his country; his financial rating at the counter of his merchant and of his banker, to be written *"A 1"* and to be written large because in winning this rating he will have acquired the ability to maintain it.

An objective such as this is unknown in the realm of political organization, regulation, supervision and expediency.

Through working with the man on the farm, as herein proposed, Agricultural Educational Institutions may realize the value to their students of a practical as well as a theoretical education and arrange their courses to include one or two years practical work on Model Farms before graduating them as Masters of Agriculture.



Young men and women so educated will not fail to make life on the farm interesting, comfortable and profitable. Through their example and influence farm life will become the ideal life for American manhood and womanhood, worthy citizens of a progressive and prosperous nation.

## LOCAL INTEREST AND LOCAL CAPITAL.

*This Model Farm Management and Credit System* offers to supply thirty dollars of outside capital for every dollar of local capital invested in it. Farming is not only a private business, *it is a local business.*

Every local social and business interest of every person residing in, or having investments of any kind in a county is dependent for prosperity upon the prosperity of the farming community. When every farmer in a county is working his farm as a gold mine is worked there will be plenty of gold in that county.

Profitable Model Farms, this system does not admit of having any other kind, located in a county will bring permanent prosperity to that county with greater certainty than the striking of oil, a discovery of deposits of gold, silver, copper or any of the metals, or the locating there of any manufacturing industry.

The one thing needed to make this Model Farm System a quick and an unqualified success and to give it first rank among great financial interests is the guarantee of good faith, good judgment and sound estimates of values that can come only through the first-hand contact of local investors. They have the enormously valuable advantage of local acquaintance with local conditions and are in a position to exercise a local oversight over all local conditions and operations.

Give the distant investor the assurance that each local proposition involved in the financing of a Model Farm is backed by the good faith shown by the investment of local capital and the one thing needed to draw outside capital into a county will be supplied. For this reason persons residing in or having business interests of any kind in a county will demonstrate their business sagacity by promptly subscribing for the number of shares of the capital stock of the State Agricultural Trust Company of their state allotted to their county and creating a waiting list ready to absorb the next issue. Such local action will give assurance to outside investors that every Model Farm Mortgage is based on substantial values; that every loan will be properly cared for during its life; that soil building, crop rotation and economical feeding will be practiced; that credit is extended wisely because this System recognizes the fact that it is just as important to discourage loaning capital to those who cannot be trusted to use it wisely as it is to furnish it in ample supply to those who can be depended upon to use it profitably and repay it with certainty; that every investment made will have the quality of a local interest and will create a local influence, uniform throughout the State, that can be depended upon to secure correct action on all legislative questions, State or Federal.

*This Model System* secures for every loan every safeguard, element of credit and assurance of profitable use that any local investor can obtain in loaning his own capital to develop a purely local proposition. It standardizes the basis of all credits; the cultivation by means of which useable and saleable products are to be obtained, the marketing of products by means of which income is to be obtained; family



and farm expenditures that are to be deducted from income and thus determine the amount of profit to be realized. It creates an efficient and convenient means for buying Model Farm Mortgages, collecting interest and principal payments and offers but one standardized security to investors guaranteed by every element of value and producing capacity comprised in investments and operations covering the entire United States thus neutralizing the effects of local disturbances and disasters of every kind.

Come what may, agricultural products will always be the creations of chemistry, of mechanics, inventive ingenuity and applied science. Successful agriculture will always be developed by efficient organization as well as by physical effort. In no department of human endeavor can brawn and brain be made to work together more effectively or more profitably. Success will always be won by the energy of physical effort and the intelligence by which it is directed.

### NATIONAL INTEREST AND NATIONAL CAPITAL.

A county is a nation in miniature.

Every benefit that profitable farmers can bring to the people of a county will be brought to all the people in the United States when all American farms are profitable.

The resources of the Federal Treasury are but the small fraction of the national capital that is represented by the per cent of the national wealth absorbed by Federal taxation.

Individuals, corporations and associations whose occupation or business operations creates investment capital will demonstrate their business sagacity by promptly subscribing for the shares of capital stock

and the National Farm Bonds issued by the National Agricultural Trust Company and creating a waiting list ready to absorb the next issue.

*The National Farm Bonds* offered to investors by a National Agricultural Trust Company created, guaranteed and issued in conformity with its predetermined standards of safety, by means of the instrumentalities utilized in this Model Farm Credit System, will be as safe and as profitable a security for long-term investments as the best security obtainable in financial markets, the bonds of the United States Government not excepted.

Investors in these bonds will secure the full measure of all advantages and security that can be derived from first-hand contact, local and State supervision and inspection guaranteed by the investment of local capital.

When these National Farm Bonds are available the expenses now incurred by financial institutions in maintaining individual departments for the investigation of Farm Mortgage Securities will be unnecessary. This work will be more effectively and continuously done by the National Corporation operating through the State Corporations and their county agencies. And, *in addition* to all factors of safety inheritant in the property mortgaged, this Model Farm Management System provides an efficient control over all factors of production, and the net profits derived from the same, during the life of every mortgage accepted. Organized for this purpose, the Agricultural Trust Company of each State, and the National Agricultural Trust Company can furnish financial institutions the benefits of factors of safety and certainty of income they have never possessed and cannot create.



The payment of the interest and principal of all *National Farm Bonds* issued in conformity with the requirements of this *Model Farm System* is guaranteed.

1. By the full value of all property and other considerations included in *a Model Farm Mortgage* which covers every element of value ever written into a farm mortgage and additional factors of high value never before covered by such a mortgage.

2. By local and State supervision and inspection guaranteed by the investment of local capital.

3. The aggregate value of all Model Farm Mortgages executed in forty-eight States.

4. The aggregate capital of forty-eight State Agricultural Trust Companies and of a National Agricultural Trust Company.

Certainty of income and safety of principal cannot be more infallibly secured.

### A WEALTH CREATING TRINITY.

*Intelligence, Labor and Capital are an indivisible Trinity by which all wealth is created.*

Based on the exhaustless resources of nature and the security of productive soil intelligently and industriously cultivated by efficiently equipped labor, the success of all *Model Farms*, financed and operated as provided in *this Model Farm System*, is guaranteed by that law of nature which decrees that—*Every living thing shall be fruitful and multiply according to its kind.*

# APPENDIX.

## EXPRESSIONS OF OPINION

By Readers of a Proof Copy of "A Model Farm Management and Credit System."

*Edwin R. A. Seligman,*

Columbia University in the City of New York, Faculty of Political Science.

I took occasion to read carefully the proof of your "Model Farm Management and Credit System." I am glad to be able to say that I found it to be exceedingly well conceived and admirably worked out.

It is based upon a solid foundation of self-help, at least from a financial point of view; although I see that you call for an extension of the government aid which is already afforded by our Department of Agriculture. Some critics might object on the ground that this considerable extension of government aid in supplying expert advice will cost a great deal of money, and that it may therefore be just as well to extend financial aid directly as indirectly, but I think you might be able to refute that objection successfully.

The chief point about the whole matter of course is the administration. It is so comprehensive a scheme that any successful application of it could be obtained, in my opinion, only after years of education by some exceedingly strong national organization; and it is very problematical in my opinion, as to whether it would be possible to form such a private organization in the face of the opportunities already granted by rural credits law. The application, however, is one thing, the plan itself another. As to the plan, you have certainly done a good piece of work.



*Curtis L. Mosher,*

Assistant to Federal Reserve Agent, Federal Reserve Bank of Minneapolis.

I feel that the rural credits bill as enacted will be of considerable benefit, but that it has some serious defects. In many localities the farmers will not feel free to co-operate in an organization on the joint credit basis.

The best farmers are now obtaining all the loans they want in this territory on a basis ranging from 5% to 6% interest, which is the lowest basis that has ever prevailed.

Farmers' loans are not only in demand, but are eagerly sought, and good loans are finding as broad a market as one could desire.

While this is a very satisfactory situation, it is not quite enough. These loans are usually made for five-year periods in this territory, and they do not quite meet the requirements of the farmer who desires to borrow a substantial amount on long time and apply the proceeds to permanent improvements on his property, and to increasing production facilities.

So far as I have been able to judge, the plan that you have worked out contains many good ideas. In a brief way, my opinion is that the farm loan business needs to be organized on some basis that will provide for reasonable standardization on a known basis of the various loans. The purchaser should be able to feel perfect confidence in the loan when it comes to him, both as to the shrewd and able appraisal of the property, the exercise of good judgment in selecting good risks, and in the fact that his loan has been made to conform to fair and reasonable standards, with the result that

it has an intristic value of its own, due to the various safeguards thrown about the process of making it.

In other words, when farm loans can be put upon the same basis as a good bond, with the same guarantees of solid values behind them, they will be in much greater demand than even at the present time, and of course, as the demand grows the rate will go down.

I want to say that with such familiarity as I have with this subject, I am considerably impressed with the immense amount of painstaking work that has gone into the plan you have worked out, and if it can be put upon a business basis and can be made operative as a commercial, rather than a Governmental, proposition I do not see any reason why it should not work well.

*W. A. Sadd, President,*
Chattanooga Savings Bank, Chattanooga, Tennessee.

I have read with a great deal of interest the "*Model Farm Management and Credit System,*" which you have devised, and feel that the matter has been very carefully thought out and the system which you have worked out will be of great benefit to the country when taken up.

*B. F. Harris, President,*
First National Bank, Champaign, Illinois.

I am satisfied that any student of the problem of farm credit who wants to get all the angles on the subject should investigate your "Model Farm Management and Credit System."



*Harry B. Henderson,*
The Wyoming Trust & Savings Bank, Cheyenne, Wyoming.

After receiving your plan touching the subject of farm loans I gave it much thought. There is much in it that is high class and far beyond the immediate grasp of the ordinary individual. Indeed it is a very interesting and instructive, as well as constructive, discussion of the farm loan problem.

But under existing conditions I am of the opinion there is not much probability of your ideas being embraced in any amendment which may be offered to the present law.

Had it occurred to you that the present Farm Loan act is for the special care of the individual who can borrow today, or any other time, as much from his local bank as he can from the government? I dare say his local bank will give him more money. The Federal Farm Loan law is competing only for high class business. The poor chap who is landless was never given a serious thought. The man who rents but would like to have a home will have to be a renter still, unless some philanthropist like yourself can assist him by showing Congress how to frame a law that will really become of some advantage to the man who needs help.

The suggestions which your plan offer are along lines that are for the assistance of those who cannot obtain credit under existing circumstances. When our Congress realizes that these people must be helped, then I think your methods and plan of organization will be of such nature as to be incorporated in the law, or perhaps better still, take the place of the law now in effect.

You have endeavored to make the poor man as much a consideration in the affairs of life as the man who can count his money in a considerable sum.

*George Hamman, Vice-President,*
The Union National Bank, Houston, Texas.

I beg to advise that I have gone into your Model Farm Management and Credit System, but, as you know, I am one of those hit-and-miss kind of fellows who does not know how to criticise anything. I believe though that you are on the right track and shall be glad to co-operate with you.

*Everett Walton Goodhue,*
Dept. of Economics and Sociology, Colgate University, Hamilton, N. Y.

I have taken pleasure in reading carefully your draft of a "*Model Farm Management and Credit System.*" I have not attempted to criticise it item by item for I feel that my training and experience hardly fits me to comment on the technical details of such a thorough-going agricultural plan. I much prefer to state in a very few words my general impressions.

The plan seems to me to be comprehensive, and much bigger and more far-reaching as a measure to encourage correct agricultural methods than the present Federal law.

The combination of loaning to farmers on good security and of supervising the organization and methods of agriculture on the farms strikes me as an important plan.

I can see no particular difficulty with the method proposed for the issue of bonds to investors.

On general principles I would criticise the plan in two particulars:

First, I fear the plan laid down is too far ahead of the co-operative sense of the average farmer. Would the farmers go into such a scheme in sufficient numbers



to make it workable? Would not the farmer look upon it as undue interference with his rights as an individual? I fear they would not submit kindly to the tutorial side of the scheme. This feeling, of course, might be overcome by a generous amount of education, but that takes time.

Second, I wonder if the scheme is not overburdened with organization. Having two types of authority—state and national—rather complicates the situation. In what way is the National Trust Company in better position to sell the bonds to the public than the State Trust Company? Why not sell direct through the State Trust Company and make the scheme a state scheme?

I am inclined to doubt whether the plan, at the present stage of co-operative development in this country, would appeal to the practical sense of the average farmer. Its theoretical merits, however, seem to me sound.

*Roger W. Babson, President,*
Babson's Statistical Organization, Wellesley Hills, Mass.

We have been able to make only a cursory examination of the "*Model Farm Management and Credit System,*" which you sent us. Taken as a whole we feel that your plan is a good one and in many respects is an improvement on the system which is now in operation.

There is going to be a tremendous demand for farm credit if the war continues and it is of vital importance to us all that the farmers shall be properly financed.

With these things in mind we are heartily in favor of your efforts to bring about better conditions in farm credit.

*Oliver N. Sams,*

Agricultural Commissioner of the American Bankers Association; President, Merchants Nat'l Bank, Hillsboro, Ohio.

I have read the proofs of your "*Model Farm Management and Credit System*" and may make a few suggestions, but the subject matter meets so nearly with my own views that I apprehend that you will not receive very great assistance from me, except, endorsement.

The war seems to overshadow everything else now and I believe the public generally would not be much interested in any Rural Credit System that might now be placed before them.

The farming community do not seem to have any interest in the Federal Land Bank and I believe would not be interested in any other system at this time.

*Leonard G. Robinson, General Manager,*

The Jewish Agricultural & Industrial Aid Society, 174 Second Avenue, New York, N. Y.

Frankly, it appears to me that this is rather late for your plan to be of any effect. The time for it would have been before rural credits became a subject for Federal legislation.

I, personally, and many others, not only favored private initiative, but urged it in season and out of season. Unfortunately, our efforts did not meet with success. Whether it was through a lack of vision, or public spirit, or lack of interest, is unimportant.

But it strikes me now, after a tolerably good and effective Rural Credit Act has been inscribed into our statute books, the proper thing to do is for everybody

NOTE.—Mr. Robinson is now President of *The Federal Land Bank of Springfield*, Springfield, Mass.



to wait and see what it will do. At any rate, if American finance could see nothing in Rural Credits when it had the field practically to itself, it is very much to be doubted if it will see anything in it now, with a highly favored system in operation.

*John C. Duncan,*

College of Commerce, University of Cincinnati, Cincinnati, Ohio.

I have carefully gone over the "*Model Farm Management and Credit System*" and am, in general, favorably impressed with it. I can, however, see that for some time it may have objections to be overcome:

1. The government has already provided a plan of local farm credits wherein special privileges are granted to certain classes of financial institutions. The people who are interested in these protected institutions will, of course, vigorously oppose any new plan which will affect their interests.

2. Financial institutions which are not directly interested in farm credits will be little disposed to favor your proposed plan because they are losing nothing by the scheme in operation at present, and will, therefore, be indifferent or opposed to any further financial legislation.

3. For a few years, in the beginning, it is entirely probable that the institutions established in accordance with your proposed plan, will not bring large returns to the investors in the capital stocks of the banks. This is not different from the financial history of every group of enterprises; railroads, industrials and public service utilities all passed through a non-earning period of financial adjustment before they become

established as dividend producers. Until these banks attract managers who can operate them successfully, the public will be somewhat slow in advancing funds for their establishment. However, the merits of the plan should, in the long run, overcome these objections.

MERITS OF THE PLAN.

1. Your plan seeks to render a service to the community in a self-supporting way, which is a very commendable feature in any scheme of community improvement.

2. It does not give special advantages to certain types of financial institutions, to the detriment of others.

3. It consciously seeks to stimulate the beneficiaries towards greater productive efficiency, by requiring them to utilize state and national agencies already created for their benefit, in the state agricultural colleges and departments.

4. It gives the state colleges and agricultural departments specific problems of a practical nature which, when solved, will be of immense benefit to the country at large.

*Robert H. Bean, Treasurer,*
Casco Mercantile Trust Co., Portland, Maine.

I am pleased to advise you that I have gone over your "*Model Farm Management and Credit System*" and, while I cannot bring myself to believe that the plan is at the present time a feasible one under conditions as they are just now, I do, however, find much of real merit in the fundamentals so ably presented in your work.



The time will come when farm credits will be universally regarded as an important function in our financial scheme, and it is only by long study and careful analysis of the situation that we can arrive at any plan that will be successful.

*Myron T. Herrick,*
Society for Savings, Cleveland, Ohio.

A successful demonstration of land financing under private enterprise would be a valuable thing for this country, but I am bound to believe that the Hollis bill if it becomes law will have a discouraging effect on such efforts for some time to come.

It will be difficult to draw private capital into competition with the government.

NOTE:—The "Hollis bill" to which Mr. Herrick refers was made law by the 64th Congress. A copy of this law can be obtained by request addressed to the Federal Farm Loan Board, Washington, D. C.

*Lawson Purdy, President,*
Department of Taxes and Assessments, City of New York, Municipal Building, New York, N. Y.

I read with great interest your "*Model Farm Management and Credit System.*" I think your plan is very ingenious and if farmers co-operated it would to an extraordinary degree insure effective and successful farm management. The loans made to farmers who are supervised in the manner you propose would be as safe as loans could well be made.

*Joseph T. Tracy,*
338 West Seventh Avenue, Columbus, Ohio.

I feel you have rendered a distinct and valuable service in putting in concrete form your investigation and conclusions as to a model system for the financing and management of farms as now being advocated by so many upon a credit basis.

Your fund of information upon this subject, the result of years of study and thought, especially qualifies you for the task of devising a sound and at the same time a practical credit system—just alike to the borrower and lender.

You are at liberty to use any of my humble words as they are honest expressions in recognition of what I feel to be a much needed undertaking.

*P. W. Goebel, President,*
The Commercial National Bank, Kansas City, Kansas.

I have gone over your "*Model Farm Management and Credit System*" with a good deal of care.

While your idea is fine, I do not believe that it could be worked practically in America as I am sure that no farmer would tie up his land and personal property and agree to work on a system such as you outline. It will take a good many years of education before we arrive at the period when a system of that kind can be put in practical operation.

*John S. Edwards,*
State Tax Commissioner, Tallahassee, Florida.

The name—"*Model Farm Management and Credit System*"—seems thoroughly justified, in my estimation. The only possible criticism that I see is that the



borrower may not be quite so free an agent as one of the directors of his own farm as he may wish to be. This may, possibly, be an objection among some men of ability and large perspective who may desire to take advantage of your loans.

On the other hand, the Federal Farm Loan System may be used by a great many people, but the man who needs it most cannot benefit by it. The man who can borrow under it, under the limited basis allowed, can borrow in the open market and leave himself a free agent. The man who *needs* the Federal farm loan is unable to secure it.

I congratulate you on the merits of your system.

*J. H. Wheeler,*
President, Wisconsin Bankers Association; Vice-President Farmers & Merchants Union Bank, Columbus, Wisconsin.

This "*Model Farm Management and Credit System*" is attractive only because it offers a strong inducement to the farmer to improve his efficiency, and not because it supplies credit.

Was it unlimited credit that created Armour & Company, or did the efficient operation of the business create the credit?

An efficient farm plant today can command as cheap or cheaper credit than any other business. Credit is based on faith, and faith depends upon honesty and ability. Give us honesty and ability and command every needed credit.

The real value of this plan is its purpose to develop man, not property. The proposed development of property is only the bait used to induce the man to

become developed. The real purpose is to develop citizenship. That is why the public should be willing to pay taxes to provide the educational institutions with sufficient teachers to co-operate in this plan.

Farmers should be taught to work for profitable income-producing farm plants. They should not be concerned largely with getting out of debt, but rather with the development of a big, profitable business. The debt will be reduced or wiped out at the proper time. Surplus income should first be used to bring the business to its greatest efficiency.

It is better to build a silo than to reduce the mortgage. Pure bred bulls are more important than reduced rates of interest.

It needs private enterprise to connect up the governmental and educational agencies with the farmers. This credit system is a Model, because it does this as well as giving credit where it is needed. The people will learn through the adoption of this plan that correct education and efficiency are synonymous terms.

This Model System will teach the man using it that more satisfaction and happiness comes from doing a thing well than from the profit that grows out of it.

It will do away with the necessity of state experiment farms. Every Model Farm will be an experiment farm and we will have many such in every county instead of ten or twelve in a state.

Boys and girls brought up on such farms will be half educated before they begin to go to school. Young men and women attending teachers' training schools will simply be supplementing the knowledge acquired on the farm in their youth.



This Model System will demonstrate that it is as important to know for what purpose money is to be used as it is that it can be secured.

Bonds issued in conformity with the requirements of this Model System should be a desirable investment for the surplus funds of banks because of their convertibility through the large market they will have. The trust deed securing public utility bonds provides that not more than 75% or 80% of the cost of improvements or new property acquired shall be covered by new bonds. Such a provision should be included in this *Model Farm Management and Credit System.*

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TITLE